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Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

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July 15, 2008

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**FIVE-YEAR OPTION TO RENEW LEASE NO. 51870
DEPARTMENT OF HEALTH SERVICES AND DEPARTMENT OF PUBLIC HEALTH
511-515 EAST 6th STREET, LOS ANGELES
(SECOND DISTRICT) (3 VOTES)**

SUBJECT

This recommendation is for a five-year lease renewal for the Department of Health Services (DHS) and the Department of Public Health (DPH) for the continued use of 18,512 rentable square feet of clinic space in the Weingart Building located in the skid row area of downtown Los Angeles.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that the lease renewal is categorically exempt from the California Environmental Quality Act (CEQA) pursuant to Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15301 of the State CEQA Guidelines.
2. Exercise the option to renew the lease for a five-year term with Weingart Center Association (Landlord) for 18,512 rentable square feet of building space, located at 511-515 East 6th Street, Los Angeles, for the DHS and DPH at an annual first year rent not to exceed \$465,947. The DHS rent is approximately \$203,977, and is 100 percent net County cost. The DPH rent is approximately \$261,970 and is 100 percent subvented by federal block grants identified in the County's Net Negotiated/Drug Medi-Cal Agreement with the State Department of Alcohol and Drug Program.

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PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Both DHS and DPH have been housed in the Weingart Building since 1987. DHS provides primary care services through the JWCH, a public private partnership, to skid row residents in 8,104 square feet of space on the first floor. An early intervention clinic also operates on the first floor providing weekly diagnosis and treatment to clients with the AIDS virus. DPH, through its contract with the Volunteers of America (VOA), provides alcohol and drug residential treatment services to clients in 10,408 square feet of recovery space located on the ninth floor of the building.

The five-year lease renewal will allow DHS and DPH to continue providing health related services to the skid row population.

Negotiations between the County and the Landlord are in process to expand the AIDS clinic and primary care services into an approximately 20,000 square foot free standing building known as the Leavey Building which is located at 512-522 South San Pedro Street, Los Angeles. The Landlord-owned building is adjacent to the Weingart Building. Upon completion of negotiations and submission of a lease recommendation to your Board for approval, the Landlord has agreed to allow the County to reduce the rent payable and the DHS/JWCH premises area by 8,104 square feet and allow the program to relocate to the Leavey Building. The 10,408 square feet of space occupied by the VOA on the ninth floor will remain as part of the proposed lease renewal.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The Countywide Strategic Plan directs that we invest in public infrastructure in order to strengthen the County's fiscal capacity. The proposed lease supports this strategy (Goal 4, Strategy 2, Objective 2), with the consolidation of department services to better serve constituents. This proposed lease complies with the Strategic Asset Management Principles, as shown in Attachment A.

FISCAL IMPACT/FINANCING

The proposed five-year lease renewal will provide DHS and DPH 18,512 square feet of clinic space at a monthly base rent of approximately \$38,829 or \$465,947 annually.

511-515 E. 6TH STREET	EXISTING LEASE NO. 51870	FIVE-YEAR LEASE OPTION	CHANGE
Area (square feet)	18,512	18,512	None
Term	07/01/2003 – 06/30/2008	Upon Board approval	+ Five years
Annual Base Rent	\$452,376	\$465,947	+ \$13,571
Parking	82 parking spaces	82 parking spaces	None
Cancellation	County may cancel anytime upon 90 days prior written notice.	County may cancel anytime upon 90 days prior written notice.	None
Option to Renew	One five-year option	Five-year option exercised	No options remain
Rental Adjustment	Annual fixed increases Year 2 rent \$426,294 Year 3 rent \$432,688 Year 4 rent \$441,342 Year 5 rent \$452,376	Annual fixed increases Year 2 rent \$479,925 Year 3 rent \$494,316 Year 4 rent \$509,153 Year 5 rent \$524,427	No change from Amendment No. 5. Increases average 3+ percent.

Sufficient funding for the proposed five-year lease renewal is included in the departments' 2008-09 Rent Expense budget and will be charged back to DHS and DPH respectively.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The proposed exercise of the five-year option provides 18,512 rentable square feet and 82 off-street parking spaces. The lease also contains the following provisions:

- The renewal commences upon Board approval and ends five years thereafter.
- There are no tenant improvements in this lease.

- Parking for the staff and visitors is available on-site.
- The lease is full service and the Landlord is responsible for all maintenance and utility services to the premises.
- County has the right to cancel anytime by giving 90 days prior written notice. The County can also reduce the rent payable and square footage by 8,104 square feet at anytime should the Board adopt a new lease with the Weingart Center Association for expanded skid row services at the Leavey Building.

CEO Real Estate staff did not survey the downtown skid row service area as this is a lease renewal for specific clinic related services provided to a concentrated target population. Attachment B shows all County-owned and leased facilities within the surrounding downtown area and there are no County-owned or leased facilities available for the programs.

Based upon a market survey of similar properties in the skid row area, staff has determined that the base rental range including parking for similar properties is between \$23.00 and \$30.00 per square foot per year full-service gross. Thus, the \$25.17 base rental rent of the proposed lease renewal represents a market rental rate in the lower range of market.

The Department of Public Works has inspected the facility and found it suitable for County occupancy.

A child care center is not feasible in the proposed leased premises.

NEGATIVE DECLARATION/ENVIRONMENTAL IMPACT REPORT

The Chief Executive Office (CEO) has made an initial study of environmental factors and has concluded that this project is exempt from CEQA pursuant to Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15301 of the State CEQA Guidelines.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

There will be no disruption of services to the public as this is an exercise of an option to renew the lease term. DHS and DPH concur with the proposed lease renewal.

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CONCLUSION

It is requested that the Executive Officer, Board of Supervisors return two certified copies of the Minute Order and the adopted, stamped Board letter to the CEO, Real Estate Division, 222 South Hill Street, 4th Floor, Los Angeles, CA 90012.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

WTJ:DL:JSE
CEM:TS:hd

Attachments (2)

c: County Counsel
Department Public Health
Department Health Services

511-516e6thst.b

DEPARTMENT OF PUBLIC HEALTH AND DEPARTMENT OF HEALTH SERVICES
511-515 EAST 6th STREET, LOS ANGELES
Asset Management Principles Compliance Form¹

1.	Occupancy	Yes	No	N/A
A	Does lease consolidate administrative functions? ²			x
B	Does lease co-locate with other functions to better serve clients? ²	x		
C	Does this lease centralize business support functions?			x
D	Does this lease meet the guideline of 200 sq. ft of space per person? ² Ratio is 1/463 sq. ft. The space does not meet the 200 sq. ft. per person guidelines as the first floor is clinic space and the 9 th floor alcohol and drug program houses up to 48 residents receiving recovery services. Both require space above the guidelines used for office space.		x	
2.	Capital			
A	Is it a substantial net County cost (NCC) program? The lease cost for the 9 th floor is 100 % offset by state and federal funding. The lease cost for the 1 st floor is 100% NCC.	x		
B	Is this a long term County program?	x		
C	If yes to 2 A or B; is it a capital lease or an operating lease with an option to buy?		x	
D	If no, are there any suitable County-owned facilities available?		x	
E	If yes, why is lease being recommended over occupancy in County-owned space?			x
F	Is Building Description Report attached as Attachment B?	x		
G	Was build-to-suit or capital project considered? Existing facility adequately provides services to a specific target population in a concentrated area.		x	
3.	Portfolio Management			
A	Did department utilize CAO Space Request Evaluation (SRE)?	x		
B	Was the space need justified?	x		
C	If a renewal lease, was co-location with other County departments considered?		x	
D	Why was this program not co-located?			
	1. ____ The program clientele requires a "stand alone" facility.			
	2. <u>x</u> No suitable County occupied properties in project area.			
	3. <u>x</u> No County-owned facilities available for the project.			
	4. ____ Could not get City clearance or approval.			
	5. ____ The Program is being co-located.			
E	Is lease a full service lease?	x		
F	Has growth projection been considered in space request?	x		
G	Has the Dept. of Public Works completed seismic review/approval?	x		
	¹ As approved by the Board of Supervisors 11/17/98			
	² If not, why not?			

**SPACE SEARCH, DOWNTOWN AREA OF LOS ANGELES
DEPARTMENT OF HEALTH SERVICES AND DEPARTMENTS OF PUBLIC HEALTH**

LACO	FACILITY NAME	ADDRESS	SQ. FT. GROSS	SQ. FT. NET	OWNERSHIP	SQ. FT. AVAIL
0155	Stanley Mosk Courthouse	111 N. Hill St. Los Angeles	794,459	441,791	Owned	None
0181	Kenneth Hahn Hall of Administration	500 W Temple St. Los Angeles	958,090	591,457	Financed	None
A496	Public defender-LA Law center	207 S Broadway Los Angeles	7,100	6,750	Leased	None
A429	CEO real estate Division/ Service Integration	222 S Hill St (Kawada Bldg), Los Angeles	11,000	10,080	Leased	None
A442	Mental Health-LAPD Smart Team	419 S Spring St, Los Angeles	1,000	1,000	Gratis Use	None
A529	Mental Health Downtown mental health Services	529 S Maple Ave. Los Angeles	19,000	16,500	Leased	None
3154	Clara Shortridge Foltz Criminal Justice Center	210 W Temple St. Los Angeles	1,036,283	399,535	Financed	None
0101	Hall of Justice (not available)	211 W Temple St., Los Angeles	570,811	306,487	Owned	None
0156	Hall of Records	320 W Temple St. Los Angeles	438,095	259,523	Owned	None
V013	DPSS Civic center District/ GROW	813 E 4 th Pl. Los Angeles	39,956	25,158	Owned	None
A384	AG Comm/Wgts & Measures Downtown marketplace office	1320 W Olympic Blvd. Los Angeles	776	776	Leased	None